

FDIC State Profile

Summer 2005

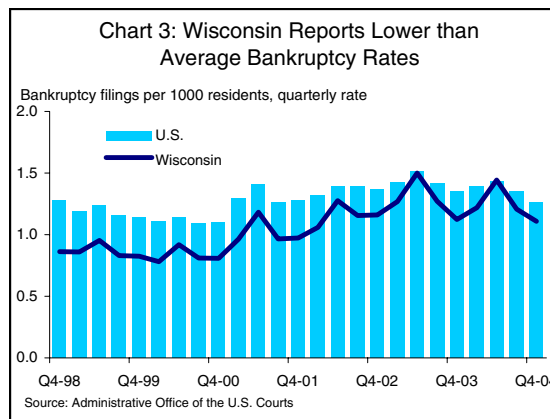
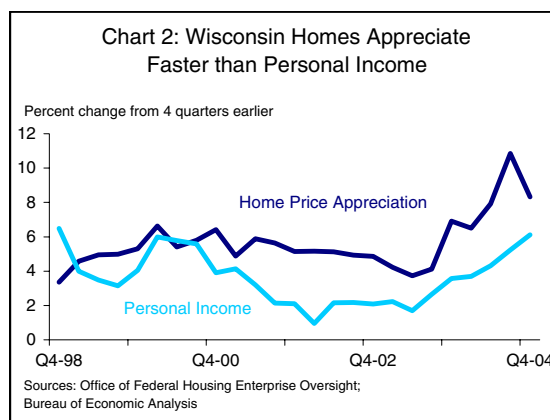
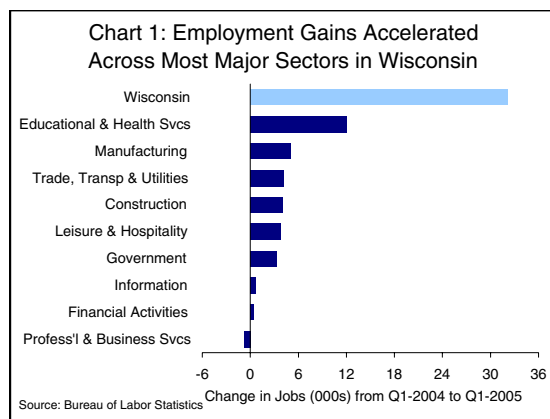
Wisconsin

Wisconsin's economic expansion continues.

- Wisconsin's nonfarm payrolls grew 1.2 percent between first quarters 2004 and 2005. Nearly 68 percent of the 32,100 new jobs came from the education; durable goods manufacturing; and the trade, transportation and utilities sectors (See Chart 1).
- With the exception of the professional and business services and the nondurable goods manufacturing sectors, all major employment sectors in the state reported employment gains.
- **Racine** was the only metro area to report a year-over-year job loss in first quarter 2005, largely from weakness in the retail trade and manufacturing sectors. **Janesville-Beloit** posted the highest job growth rate in the state and surpassed the U.S. average from increased hiring in the professional and business services and manufacturing sectors.

Household finances continue to improve.

- In the past four years, home price appreciation in Wisconsin outpaced personal income growth, a situation that may suggest declining housing affordability for some consumers in the state (See Chart 2).
- Wisconsin enjoyed higher home price appreciation than its neighboring Midwestern states. Nonetheless, home values in the state continued to rise slower than the national average. In the state's fastest growing areas such as Racine and Milwaukee, home prices grew 9.9 percent and 9.5 percent, respectively, from fourth quarters 2003 to 2004, compared with the national average of 11.2 percent.
- Stronger economic fundamentals in the state helped to spur rising homeownership rates and lower than average per capita bankruptcy rates (See Chart 3). Personal bankruptcy filings, however, may rise prior to the October 2005 effective date of the new bankruptcy law, which makes it more difficult for consumers to discharge their debt in bankruptcy.



State Profile

Commercial vacancy rates stabilize in Milwaukee.

- Vacancy rates across most property types in the Milwaukee metropolitan area stabilized or improved modestly through the first quarter of 2005. Firm relocations within southeastern Wisconsin reportedly account for much of the recent leasing activity.

Bank earnings performance improved.

- Profitability for Wisconsin's community institutions¹ improved notably in first quarter 2005 compared with first quarter 2004. Much of the increase was generated by greater securities gains (See Table 1).
- Should interest rates continue to rise, the prospects for significant securities gains in future quarters diminishes; however, most other earnings components have also improved from a year ago. Asset yields rose faster than funding costs, overhead remained stable, and noninterest income improved.

Loan growth is strong.

- Wisconsin's community institutions had annual loan growth greater than 10 percent for the third consecutive quarter, leading to a loan-to-asset ratio of 74 percent, up from 71 percent a year earlier.
- Although relatively small percentages of total loans, the most rapid growth has been in construction and development and home equity lending, growing at annual rates of 33 percent and 28 percent, respectively. While still elevated, these growth rates have tapered off in recent quarters.
- The largest loan categories, nonresidential real estate and first-lien 1-4 family mortgage loans have also grown at a swift rate. Nonresidential real estate lending grew 16 percent during the past year while 1-4 family loans grew 9 percent.

Adjustable-rate mortgages are increasingly popular.

- During the past few years, an increasing percentage of mortgage loans originated in Wisconsin were adjustable-rate, with a sizeable shift experienced in 2004 (See Chart 4). This trend occurred despite a continued decline in the national rate on 30-year fixed-rate conventional mortgages.
- Accelerated home price appreciation, increased investment purchases of homes, slower personal income growth, and an increasingly mobile work force that contemplates frequent relocations may be contributing to the increased use of ARMs.

Asset quality indicators are generally positive.

- Community institutions reported past-due and nonaccrual loans to total loans of 1.90 percent as of the first quarter, slightly better than the 1.99 percent level reported a year earlier. With the exception of construction and development lending, past due rates in all major loan categories improved or remained relatively stable (See Chart 5).
- As reserve levels rose, and nonperforming loans fell, Wisconsin's community institutions reported a substantial increase in the reserve coverage of nonperforming loans during the past year, from 135 percent to 157 percent.

Table 1: Securities Gains Boosted Profitability

Income statement contribution (percent of average assets)	3 months ended March 31		Percentage Point Change
	2004	2005	
Net Interest Income	3.55	3.58	0.03
Noninterest Income	0.73	0.76	0.03
Noninterest Expense	-2.72	-2.71	0.01
Provision Expense	-0.12	-0.10	0.02
Security Gains & Losses	0.05	0.12	0.07
Pretax Net Income	1.49	1.64	0.15
Income Taxes	-0.36	-0.41	-0.05
Net Income (ROA)	1.13	1.23	0.10

Source: FDIC. Merger-adjusted data for Wisconsin's Community Institutions

Chart 4: Popularity of ARMs Increased Recently Despite Low Rates on Fixed-Rate Mortgages

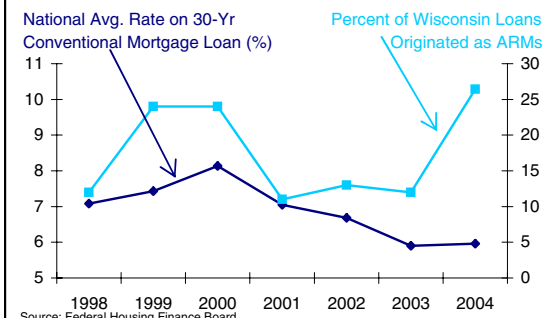
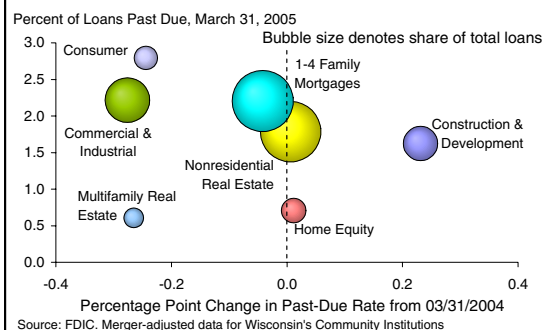


Chart 5: Loan Quality Remained Stable or Improved Across Most Major Portfolio Categories



¹Community institutions are insured institutions with less than \$1 billion in assets, excluding new (less than three years old) and specialty banks. Data adjusted for merger activity.

Wisconsin at a Glance

ECONOMIC INDICATORS (Change from year ago quarter, unless noted)

Employment Growth Rates	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Total Nonfarm (share of trailing four quarter employment in parentheses)	1.2%	0.4%	-0.2%	-2.0%	0.5%
Manufacturing (18%)	1.0%	-2.5%	-4.2%	-7.7%	-3.2%
Other (non-manufacturing) Goods-Producing (5%)	3.3%	2.7%	-0.7%	-1.5%	0.5%
Private Service-Producing (63%)	1.2%	1.4%	1.0%	-0.8%	1.5%
Government (15%)	0.8%	-0.8%	-0.1%	1.2%	1.7%
Unemployment Rate (% of labor force)	4.8	5.4	5.8	5.4	3.9

Other Indicators	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Personal Income	N/A	4.3%	2.8%	1.6%	4.8%
Single-Family Home Permits	-5.7%	12.6%	2.1%	-4.9%	-0.8%
Multifamily Building Permits	-19.5%	-30.8%	45.9%	22.5%	-31.1%
Existing Home Sales	3.1%	-0.4%	4.7%	7.2%	3.0%
Home Price Index	9.4%	6.5%	4.2%	5.2%	4.9%
Bankruptcy Filings per 1000 people (quarterly level)	1.25	1.22	1.27	1.06	0.96

BANKING TRENDS

General Information	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Institutions (#)	305	310	312	320	344
Total Assets (in millions)	119,179	109,479	104,856	102,841	99,578
New Institutions (# < 3 years)	1	4	9	13	13
Subchapter S Institutions	69	62	59	54	51

Asset Quality	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Past-Due and Nonaccrual Loans / Total Loans (median %)	1.74	1.93	2.43	2.42	2.17
ALLL/Total Loans (median %)	1.22	1.24	1.27	1.23	1.20
ALLL/Noncurrent Loans (median multiple)	1.64	1.36	1.44	1.38	1.75
Net Loan Losses / Total Loans (median %)	0.06	0.07	0.07	0.07	0.07

Capital / Earnings	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Tier 1 Leverage (median %)	9.72	9.71	9.44	9.29	9.00
Return on Assets (median %)	1.10	1.09	1.12	1.09	1.04
Pretax Return on Assets (median %)	1.51	1.46	1.51	1.45	1.38
Net Interest Margin (median %)	4.12	4.09	4.05	4.08	3.97
Yield on Earning Assets (median %)	6.97	6.91	7.07	7.28	7.62
Cost of Funding Earning Assets (median %)	2.86	2.82	2.98	3.19	3.61
Provisions to Avg. Assets (median %)	0.11	0.12	0.13	0.12	0.12
Noninterest Income to Avg. Assets (median %)	0.58	0.58	0.63	0.57	0.57
Overhead to Avg. Assets (median %)	2.81	2.78	2.77	2.76	2.72

Liquidity / Sensitivity	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Loans to Assets (median %)	73.4	70.8	68.9	70.2	72.2
Noncore Funding to Assets (median %)	18.1	15.9	15.4	15.4	16.0
Long-term Assets to Assets (median %, call filers)	8.5	8.9	8.7	9.5	10.2
Brokered Deposits (number of institutions)	164	142	136	134	153
Brokered Deposits to Assets (median % for those above)	4.5	3.6	3.4	2.7	2.9

Loan Concentrations (median % of Tier 1 Capital)	Q1-05	Q1-04	Q1-03	Q1-02	Q1-01
Commercial and Industrial	86.9	92.1	96.1	99.1	108.2
Commercial Real Estate	238.7	205.8	182.4	173.9	167.6
Construction & Development	41.2	32.3	27.6	26.4	22.8
Multifamily Residential Real Estate	6.5	4.9	4.2	5.0	5.9
Nonresidential Real Estate	164.2	148.1	138.3	129.9	123.2
Residential Real Estate	227.5	228.6	240.2	243.5	275.4
Consumer	29.6	34.9	40.2	47.0	52.2
Agriculture	32.0	35.5	35.8	38.3	37.1

BANKING PROFILE

Largest Deposit Markets	Institutions in Market	Deposits (\$ millions)	Asset Distribution	Institutions
Milwaukee-Waukesha-West Allis, WI	61	38,461	< \$250 million	239 (78.4%)
Madison, WI	49	10,341	\$250 million to \$1 billion	54 (17.7%)
Green Bay, WI	26	4,998	\$1 billion to \$10 billion	10 (3.3%)
Appleton, WI	30	2,873	> \$10 billion	2 (0.7%)
Racine, WI	18	2,462		